# QUARTERLY HOUSE VIEWS

## Q3 2020

# Keeping our Balance

**Macro**

We have seen a pick-up in retail sales and business confidence surveys in recent weeks as major advanced economies begin to emerge from lockdown. However, activity remains well below pre-crisis levels and some headwinds continue to blow – COVID-19 cases continue to rise across the globe and many restrictions on activity are likely to remain in place for some time. Moreover, continuing claims for jobless benefits in the US remain stuck above 20 million, suggesting that companies are rather slow to rebuild staffing levels. We continue to expect a gradual recovery rather than a rapid return to pre-crisis activity levels. This means that fiscal and budget support packages remain necessary for now.

**Central Banks**

As expected, the US Federal Reserve (Fed) has slowed the pace of asset purchases recently as it continues to add holdings to its balance sheet (which has jumped 71% since end February). However, it shows no signs of diminished commitment to support the financial system through ample injections of liquidity. Similarly, the European Central Bank (ECB) recently announced that euro zone banks had taken up €1.3 trillion in ultra-cheap long-term refinancing which should help improve bank profitability and encourage broader lending to customers. The same policies hold sway in the emerging world – most central banks have cut rates, many are pursuing asset purchases and China continues to reduce reserve ratio constraints on bank lending.

**Markets**

Central bank buying is helping keep government bond yields close to historic lows – and indeed negative in many countries in the core of the euro zone – enabling markets to absorb the vast new quantities of government borrowing to pay for their support programmes. High quality corporate bonds are also targeted in asset purchase programmes, allowing borrowers to roll over debt at very low rates. The ample liquidity environment has sparked an extraordinary rally in equities from late-March lows and will continue to extend support. However, corporate earnings are slumping and valuations are demanding which argues for keeping exposure Neutral for now.

**Bottom line**

Within fixed income markets, we express a clear preference for investment grade bonds over government debt and High Yield (HY), where default risk remains high. UK equities have underperformed other European markets year-to-date and now look cheap, warranting an upgrade. We also propose switching to an Overweight stance on euro zone equities, which should be favoured by generally low COVID-19 infection rates and a cyclical recovery in earnings. The same factors should support the euro against a pricy US dollar and we suggest moving to an Overweight stance. Finally, gold and hedge funds remain our preferred diversification tools in portfolios.

In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document.
CA159/JUL/20

# OUR STRONGEST CONVICTIONS

**Stay balanced**

The policy response to the COVID-19 recession has been impressive as central banks have sought to keep financial markets functioning and governments have borrowed heavily to support businesses and households. The ample liquidity provided should help keep government bond yields low and risk appetite high. We suggest keeping equity exposure Neutral and Fixed Income slightly Underweight in this context.

**Euro to strengthen against the US dollar**

Interest rate differentials between dollars and euros have collapsed, removing a key support for the greenback, while the mooted EU recovery fund would show solidarity for those countries worst hit by the pandemic. Moreover, fiscal support for households and businesses should help mitigate the impact of recession. The euro remains sharply undervalued and should now begin to gain ground against the US dollar.

**Overweight Investment Grade corporate bonds within fixed income**

In order to ensure that companies are able to access cheap market finance during the crisis, central banks have stepped up asset purchase programmes of corporate bonds. Their buying has helped tighten yield differentials over government bonds in recent months, but the segment still offers an attractive source of positive income in contrast to many negative-yielding sovereigns, while lower-rated High Yield bonds remain vulnerable.

**Euro zone equities should outperform**

Infection rates remain low across euro zone members several weeks after restrictions on activity have been eased, which should help bolster corporate and consumer confidence across the region. Moreover, approval of the EU recovery fund would mark an advance towards greater integration, a long-term positive. The policy mix of fiscal and monetary support should remain solidly in place, helping revive interest for laggard markets like euro zone equities.

**Gold and Hedge Funds for diversification**

With global government bonds offering negative inflation-adjusted yields, sovereigns offer less diversification benefits than they have for many years. Our preferred sources of low-correlation return potential are hedge funds and gold. The former can hedge any exposure to markets via short sales, reducing their sensitivity to swings in prices, while the latter is sought after by investors who worry about the impact on currencies of worsening budget deficits.

**Stay flexible**

We took advantage of calmer equity markets in recent months to restore suggested equity weightings to Neutral, redeploying more of the cash buffers we built in March. We continue to monitor key metrics regarding the economic cycle, valuations, momentum and sentiment to help determine whether further adjustments to positioning might be advisable. Navigating the COVID-19 storms requires great flexibility.

Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

# OUR ASSET ALLOCATION

The table below presents the latest conclusions of our Global Investment Committee

| | | | Summary house views | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Strong UW | UW | N | OW | Strong OW | Change since last GIC |
| EQUITY | | **GLOBAL EQUITY** | | | X | | | |
| | | **United States** | | | X | | | |
| | | **Eurozone** | | | | X | | + |
| | | **United Kingdom** | | | X | | | + |
| | | **Japan** | | | X | | | |
| | | **Emerging** | | | X | | | |
| FIXED INCOME | SOVEREIGN | **GLOBAL RATES** | | X | | | | |
| | | **U.S. Treasuries** | | X | | | | |
| | | U.S. Breakeven | | | X | | | + |
| | | **Bunds** | | X | | | | |
| | | EMU Breakeven | | | X | | | + |
| | | **Gilts** | | X | | | | |
| | | Gilts Breakeven | | | X | | | + |
| | | **JGBs** | | X | | | | |
| | | **EM Govies ($)** | | X | | | | |
| | CORPORATE | **U.S. IG** | | | | X | | + |
| | | **U.S. HY** | | | X | | | + |
| | | **EMU IG** | | | | X | | + |
| | | **EMU HY** | | | X | | | |
| | | **UK IG** | | | | X | | + |
| | | **UK HY** | | | X | | | |
| | | **Duration USD*** | | X | | | | |
| | | **Duration EUR*** | | X | | | | |
| | | **Duration GBP*** | | X | | | | |
| FOREX | | **EURUSD** | | | | X | | + |
| | | **USDJPY** | | | X | | | |
| | | **GBPUSD** | | | X | | | |
| | | **EURCHF** | | | X | | | |
| | | **EM FX (vs. USD)** | | | X | | | |
| CMDTY | | **Brent** | | X | | | | |
| | | **Gold** | | | | X | | |
| ALTERNATIVE | | **ALT. STRATEGIES** | | | | X | | |
| | | **L/S Equity** | | X | | | | |
| | | **Event-Driven** | | | | X | | |
| | | **FI Arbitrage** | | | | X | | |
| | | **Global Macro / CTAs** | | | X | | | |
| | | **Cash** | | | X | | | |

| | Positioning | *Duration |
|---|---|---|
| O/W | Overweight | Long – 7-10 years |
| N | Neutral | Intermediate – 5-7 years |
| U/W | Underweight | Short – 3-5 years |

SOCIETE GENERALE
Private Banking

| EQUITIES | |
|---|---|
| **United States** | Pandemic risks are counterweighed for now by strong policy support, leaving us Neutral. |
| **Europe** | There remains the possibility that the European Council will approve the proposed €750bn recovery fund at its mid-July summit. |
| **Eurozone** | Business confidence surveys have rebounded sharply reflecting the shift from lockdown to gradual reopening. We move Overweight. |
| **UK** | After trailing other European markets since year-end, we now suggest raising UK equities to Neutral. |
| **Switzerland** | Swiss equities have represented a safe haven this year given the market's high weightings in quality stocks in defensive sectors. |
| **Japan** | The government's support package for the economy is the largest on offer among advanced economies as a percentage of GDP and lockdown measures have been less restrictive than elsewhere. We are Neutral. |
| **Emerging (EM)** | China's equity market is one of the few to be showing positive performance year-to-date. Elsewhere, Brazil and Russia are facing deep recessions. |

| FIXED INCOME | |
|---|---|
| **Sovereigns** | With inflation well below target and the central bank continuing to buy large amounts of government bonds, long rates are unlikely to rise significantly. |
| **Duration*** | We prefer shorter-dated bonds across markets. |
| **Inflation-linked** | Inflation should recover in the longer term. We move from Underweight to Neutral. |
| **Investment Grade** | With new issuance slowing from the current pace, investor demand should favour Investment Grade corporate bonds. |
| **High Yield** | High Yield bonds remain more vulnerable to the economic challenges, especially the weakest issuers. |
| **Emerging debt (in € and $)** | Risks to economic growth remain high, as the virus is still spreading rapidly through large economies. We remain Underweight. |

| CURRENCIES | |
|---|---|
| **EUR/USD** | Interest rate differentials between the two currencies have collapsed this year, removing one of the dollar's supports. We expect the euro to strengthen and suggest partial hedging of dollar exposure in portfolios. |
| **GBP/USD** | Sterling is likely to whipsaw on geopolitical news. On a three-month horizon, we would expect GBP/USD to be slightly higher than current spot levels. |
| **EUR/GBP** | Brexit negotiations are likely to dominate EURGBP trading in the near term. |
| **USD/JPY** | We expect abundant liquidity to continue to support risk appetite. Overall, USD/JPY is likely to remain in the 106-110 range. |
| **EUR/CHF** | As abundant liquidity is likely to encourage risk-takers back to markets, we would expect the euro to trade back towards 1.07/1.08 in coming months. |
| **Emerging** | Despite the recent appreciation of emerging market currencies, several nations are now the new epicentres of the pandemic. Emerging market currencies are not out of the woods yet. |

| ALTERNATIVES | |
|---|---|
| **Hedge funds** | We propose to Overweight hedge funds, especially specialists in Merger and Fixed Income Arbitrage as well as emerging market Global Macro. |
| **Gold** | Gold continues to register new eight-year highs on robust demand from central banks and ETF investors. |
| **Oil** | Oil prices may retrace some of recent gains as demand remains rather sluggish. |

Source: SGPB, 26/06/2020
* Duration: short = 3-5 years, medium = 5-7 years, long = 7-10 years
HY = High Yield bonds (higher return but greater risks), IG = Investment Grade bonds (higher quality but lower return)

# ECONOMIC OUTLOOK

## A market of contradictions

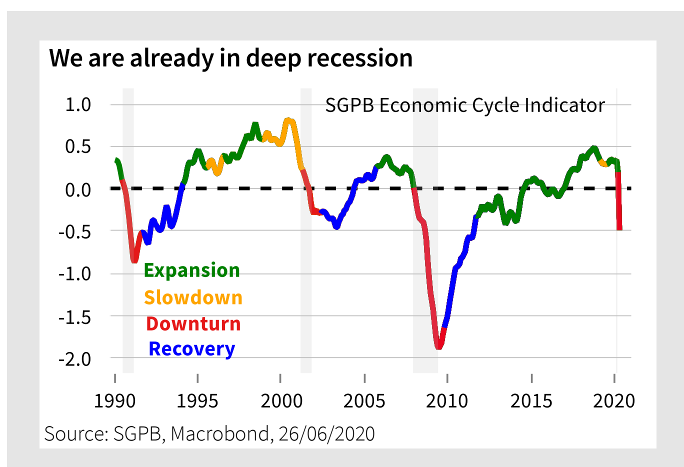
Markets remain volatile and thus more unpredictable than usual. We will continue to monitor events carefully and be mindful of any changes in the economic regime, valuations, momentum and sentiment. Some (or all) of these factors may well signal a move towards increasing risk allocations more decisively soon.

The current economic and market environment is rife with dichotomies. On one hand, the 2.5 million jobs added in the US – the world's single most important economy – is the highest on record. On the other, the US is still experiencing the highest unemployment rate since the Great Depression. On one hand, global equity markets have just suffered the fastest bear market in history, down 32.6% from February 19 to March 23. On the other, they have rocketed back into one of the fastest bull markets, up 32.9% between March 23 and June 24. We could go on and on, but the point it clear.

It is easy to see how pundits and forecasters can be wrongfooted in an environment with glaring contradictions. With the benefit of hindsight, let's focus on what we do know. First, the huge losses in March were due to a pandemic that was out of control until strict lockdowns slowed the speed of viral transmission. Second, governments and central banks unleashed hitherto unthinkable levels of fiscal spending and monetary stimulus to help stabilise economies and provide liquidity to the financial system – this proved sufficient to spark a powerful fillip in markets.

These are important and powerful factors, and we take them into account. Nonetheless, it is more important than ever to remain wedded to our process, and not be carried away by swings in emotions in periods of such uncertainty. This is how the some of the pillars of our process appear at present:

Economic Regime: The global economy will suffer its deepest recession since World War II in 2020 according to the International Monetary Fund's (IMF) latest forecast, with global output set to contract by -4.9%. Although restrictions are being eased, advanced economies are still projected to shrink -8% this year. The IMF expects growth to rebound 4.8% in 2021, provided no major second wave of infections leads to renewed lockdowns. We will be guided by when the current "regime" of recession turns into one of recovery, perhaps as early as Q3. We are not there yet.



Source: SGPB, Macrobond, 26/06/2020

Valuations: Valuations for equities remain challenging in absolute terms. The US equity market is currently trading at a forward price-to-earnings multiple of 26.2x, the highest since 2002. That is expensive. However, with rates near zero, there is a case for higher than usual tolerance to valuations. Moreover, when compared to cash or government bonds, equities still have a clear advantage in terms of long-term expected returns. Therefore, while equities are expensive, the implications are far from clear-cut.

Momentum: The recent surge in equity markets is a case in point of why momentum is a critical factor in our process. Markets don't have to follow expectations, or even logic, and trends themselves can prove to be self-fulfilling. The global equity market is now close to the ten-month moving average we favour. Should momentum tip into positive territory on a sustained basis, this would be positive from a risk-taking standpoint.

Sentiment: Sentiment for risk assets has oscillated wildly over the last few months. At present, it is well off March's lows and far from the pure, unadulterated pessimism that usually marks an opportunity to take more risk. Indeed given the strength of the rally over the last two months, there may well be some over-optimism although we don't see outright complacency. Overall, we are in neutral territory.

**Bottom line.** Taking all the above into account, we remain cautiously positioned. Markets remain volatile and thus more unpredictable than usual. We will continue to assess events and be mindful of any changes in the economic regime, valuations, momentum and sentiment. Some (or all) of these factors may well signal a move towards increasing risk allocations more decisively soon.

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# FIXED INCOME

## Slowly turning the corner?

As we enter the third quarter, the trough in economic growth is likely behind us, although recovery will only be gradual and uncertainty remains high. With central bank purchases continuing to keep rates and yield differentials ("spreads") low and with new issuance slowing from the current pace, investor demand should favour Investment Grade corporate bonds (IG).

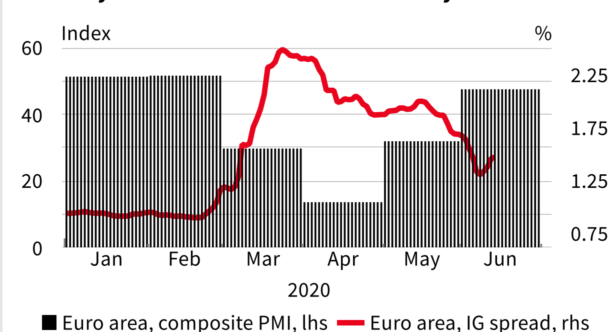
### Sovereigns

US. The Fed will maintain a very accommodative stance for the foreseeable future. At its last monetary policy meeting, it updated its projections for the Fed Funds rate for the first time since December (March forecasts were skipped as policy-makers scrambled to address the COVID-19 crisis). Rates are expected to remain at current levels until at least 2022, a projection reinforced by a strong message from Chair Powell saying that they are not even "thinking about thinking about raising rates". Short rates will therefore remain well anchored at low levels. Also, with inflation well below target, growth unlikely to recover quickly and the central bank continuing to buy large amounts of government bonds, long rates are unlikely to rise significantly.

Eurozone. As expected, last month's German Constitutional Court ruling did not push the ECB to scale back asset purchases. Instead, these were increased by a further €600bn to be implemented by mid-2021. Moreover, details of the Pandemic Emergency Purchase Programme (PEPP) were released for the first time. As with the existing Asset Purchase Programme (APP), sovereign bonds will represent roughly 80%, with a skew towards the periphery, i.e. Italy and Spain at the expense of Germany and, to a lesser extent, France. With €315bn purchased as of June 19, the ECB still has more than a trillion euros to buy over the next year within the PEPP and APP, a remarkable total that will keep short and long rates low for some time.

UK. As expected, the Bank of England (BoE) increased the size of asset purchases by £100bn. Risks to growth remain on the downside and more easing may be needed, keeping yields low.

**Recovery will be slow but the worst may be behind us**




Source: SGPB, Macrobond, Bloomberg, 26/06/2020

### Credit

US. Decisive action from the Fed has helped credit markets even more than expected, despite the economic slowdown and deteriorating fundamentals. With the economy likely to turn the corner in Q3, we expect IG bonds to continue to benefit from central bank purchases, lower issuance and investor appetite for yield. We propose moving to an Overweight stance. On HY bonds, we still believe markets are too complacent about economic risks and potential defaults. However, abundant liquidity is offsetting these factors by depressing the risk premium in spreads. We therefore suggest moving to Neutral.

Eurozone. Despite the challenging economic environment, credit spreads have held up better than expected. IG markets, in particular, have been able to absorb significant amounts of newly issued bonds (mainly in the non-financial, ECB-eligible sector). Despite the economic contraction and sharp increases in balance sheet leverage, we expect this remarkable appetite for IG bonds to persist for several reasons. First, the trough in economic growth will likely soon be behind us, although recovery will be slow. Second, the increase in corporate leverage is likely to start to reverse, as improving earnings enable companies start repairing balance sheets. Third, as a result, new issuance will slow in the second half of the year. And lastly, the ECB will remain a significant buyer of bonds. HY bonds remain more vulnerable to the economic challenges, especially the weakest issuers. As a consequence, we suggest upgrading our preferred IG bonds to Overweight, while sticking to higher ratings within a Neutral view on HY.

UK. IG spreads decreased in June in line with their euro and dollar counterparts. Although risks to economic growth and Brexit uncertainties remain, BoE asset purchases still provide support.

### Emerging debt

After widening sharply in March, EM spreads have steadily recovered part of the lost ground, helped by central bank easing worldwide. However, risks to economic growth remain high, as the virus is still spreading rapidly through large economies such as Brazil, Russia, Mexico or India. We remain Underweight.

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# EQUITIES

## Opportunities balanced by risks

Abundant liquidity, vast fiscal support and gradual easing of lockdown restrictions have revived risk appetite – this has helped global equities recover over two-thirds of peak-to-trough losses despite dramatic downward revisions to expected earnings. Looking ahead, markets face a number of risks – such as the rapid spread of COVID-19 infections in many large emerging economies – and valuations are rather demanding. We suggest staying Neutral for now.

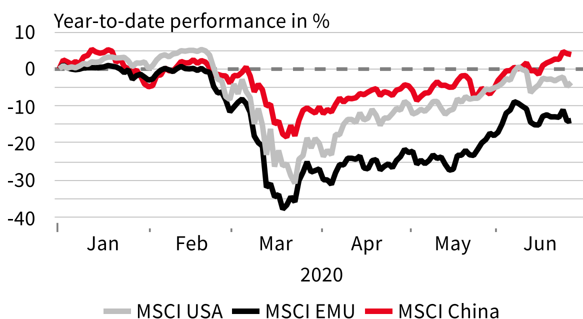
**US.** US equities remain the best performer among developed markets year-to-date, although other regions have begun to catch up recently. The outperformance has been driven by decisive central bank support and also the heavy weight in the index of major technology and internet platform companies. Indeed, the top nine stocks by market capitalisation now represent some 27% of the S&P500 index, a record-high concentration risk. Moreover, the plunge in expected earnings – down 19.7% over the past three months – has pushed the forward price/earnings ratio (PER) to 26.2 times, 62% above its average over the past decade. The pandemic continues to spread rapidly across southern and western states while political uncertainty is likely to rise ahead of November's elections. These risks are counterweighed for now however by strong policy support, leaving us Neutral.

As highlighted last month, more cyclical value stocks have failed to sustain their bout of outperformance with long-dated bond yields still close to all-time lows. After leading the rally from March, Technology stocks look rather expensive, trading at a 78% premium to their 10-year average. Consumer Discretionary also looks overvalued and we prefer Consumer Staples where valuations are less stretched and earnings should prove more resilient.

**Eurozone.** Euro zone equity markets have outperformed the global index since our recent upgrade to Neutral. Economies across the region have begun to ease lockdown restrictions in stages without sparking a sizable increase in new confirmed cases for now. Business confidence surveys have rebounded sharply reflecting the shift from lockdown to gradual reopening, and fiscal and monetary policies remain extraordinarily easy, helping foster risk appetite. Moreover, there remains the possibility that the European Council will approve the proposed €750bn recovery fund at its mid-July summit, thereby paving the way for joint EU bond issuance and revenue raising and extending grants to member states which have been weakened by the crisis.

In this context, we suggest raising allocations to the euro zone to Overweight while keeping overall exposure to equities at Neutral. In terms of sector allocations, we continue to highlight Healthcare and Utilities where earnings should hold up this year and valuations remain reasonable. Communications Services also looks attractive, trading at a modest premium to its long-term average with limited downward pressure on earnings estimates.

**China's resilient equity market**




Source: SGPB, Macrobond, 26/06/2020

**UK.** After trailing other European markets since year-end, we now suggest raising UK equities to Neutral. The market has been penalised by the impact of the pandemic on the domestic economy and the lack of progress in bilateral talks with the EU on post-Brexit relations. These risks are amply reflected in current prices, leaving UK equities looking cheap compared to cyclically-adjusted earnings. Moreover, sterling is undervalued compared to the US dollar, a boon for such an internationally-sensitive market.

**Switzerland.** Swiss equities have represented a safe haven this year given the market's high weightings in quality stocks in defensive sectors like Healthcare and Consumer Staples. The consensus expects earnings to slip only -8.0% this year, versus -20.1% in the US and -29.5% in the euro zone. Moreover, the PER premium compared to the 10-year average is much more modest than elsewhere in Europe.

**Japan.** Tokyo has proved resilient so far this year, helped no doubt by consensus expectations of +8.5% earnings growth this fiscal year. The government's support package for the economy is the largest on offer among advanced economies as a percentage of GDP and lockdown measures have been less restrictive than elsewhere. Moreover, the market is trading close to decade lows on cyclically-adjusted PER. We suggest maintain a Neutral exposure to Japanese equities.

**Emerging Markets.** The International Monetary Fund has recently downgraded its GDP projections, cutting -1.9 percentage points (pp) from the 2020 outlook for advanced economies and -2.0pp from emerging markets. The most resilient economy should remain China – the IMF expects growth of 1.0% rather than +1.2% – which should help economies across the region. Indeed, China's equity market is one of the few to be showing positive performance year-to-date. Elsewhere, Brazil and Russia are facing deep recessions – we continue to prefer Asia over other regions.

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# INVESTMENT IDEA

## Waste Not, Want Not

Population growth, economic development, urbanization and changes in production and consumption patterns are leading to a steady rise in solid waste products worldwide.

- The Food and Agriculture Organization of the United Nations (FAO) estimates that 30% of the world's food is wasted each year, generating economic and environmental costs of $1tr and $700bn respectively.
- 95% of plastic waste – the third largest source of solid waste – is never used again.
- In 2016, solid waste generated around 1.6 tonnes (t) of carbon dioxide (CO2) equivalent greenhouse gas emissions, or 5% of global emissions. This figure is expected to reach 2.6t by 2050 unless improvements in waste management are forthcoming

Waste and its management have become a major source of concern because of their direct impact on human health and the environment. The sector is growing quickly as economies develop, and waste management specialists will be called on to play a major role over the next decades. Regulators, industry and society all recognise the need to limit solid waste and identify new solutions to the problems it brings.

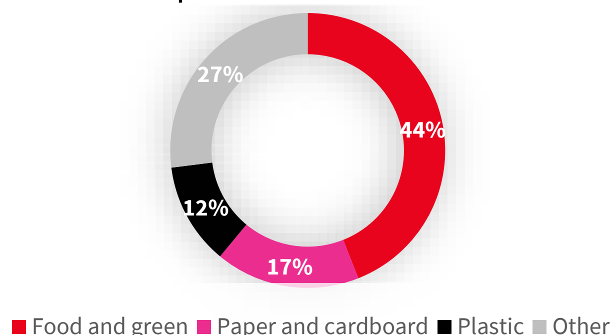
According to the World Bank, the 2 billion tonnes (Bt) of municipal solid waste – one of the biggest parts of the market – generated annually is expected to grow to 3.4 Bt by 2050. On UBS estimates, this area generated turnover of around $1.7 trillion in 2018 and is expected to reach $2tn this year. Growth is only likely to accelerate in coming decades as environmental concerns, higher value-added treatment techniques and better waste collection rates boost the industry's size.

Responsible management of the planet's waste products is crucial for our future, as recognised by its inclusion in three of the UN's Sustainable Development Goals (numbers 2, 5 and 12). But despite the essential contribution of waste management to building a sustainable and liveable environment, it remains a challenge for many countries, in particular in the developing world. That is why we observe increasing development of public-private partnerships and ever-stronger involvement from major institutions like the World Bank and the European Investment Bank (EIB), via both traditional loans and results-based financing. Since 2000 for example, the World Bank has committed over $4.7 billion to more than 340 solid waste management programs in all of its six regions of engagement.

Moreover, technological progress can offer innovative solutions. For example, plastic waste could be treated via chemical recycling – a polymer is chemically converted back into its constituent monomers which can then be used again to make new plastic products. In China, the World Bank has launched a results-based incentive programme to encourage household kitchen waste separation. Its $80 million loan also supported the construction of a modern anaerobic digestion facility to ferment organic waste, thereby producing energy for 3 million people

**Bottom line.** Economic development leads directly to higher volumes of waste across the globe, which in turn contribute to serious health and environmental issues. Sustainable development will only be possible if we learn to deal better with this waste. Thanks to the support of governments and multilateral institutions, waste management companies have the opportunity to harness their best practices and new technologies to address the growing demand for their services over coming decades.

**Global solid waste composition**




Source: SGPB, Worldbank, data as of 26/06/2020

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# INVESTMENT IDEA

## Reinventing the Factory

The COVID-19 pandemic lockdown saw companies and countries rapidly run into supply problems for essential components, active ingredients for pharmaceutical compounds or indeed personal protective equipment and respirators. One of the more obvious effects of the crisis on businesses is therefore likely to be a shift away from global supply chains in favour of national or regional solutions, and from "just-in-time" processes to "just-in-case" rebuilding of stocks.

This sea-change in corporate strategy is likely to bring cost and efficiency implications which manufacturers will seek to mitigate via more agile and flexible production systems. To this end, advanced manufacturing hubs such as those sponsored by the World Economic Forum have recently set up virtual innovation platforms to exchange best practices and accelerate the adoption of new technological solutions.

These technologies have been grouped together under the Industry 4.0 banner, a nod to the three previous industrial revolutions – from steam, to electricity, to information technology and now to connected platforms. These platforms are made possible by the convergence of artificial intelligence, big data, 3D printing, robotics, the Internet of Things (IoT), 5G networks and cloud computing, to name but a few.

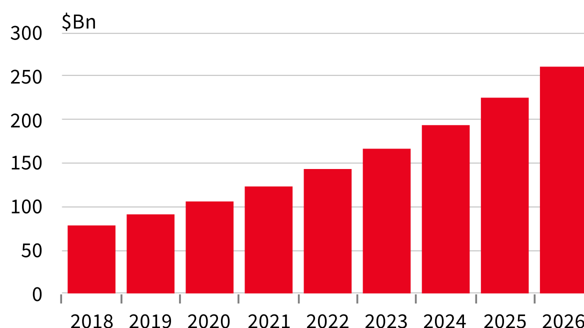
Technology has helped keep factories ticking over during the crisis. IoT – where components, tools and robots are equipped to transfer data and communicate via networks – and machine monitoring solutions enable remote workers to keep track of production and processes while working from home. Collaboration apps like Slack or Asana mean that production workers on the shop-floor can interact easily with remote co-workers and supervisors. And online training tools can help furloughed workers to upgrade their skills to those needed after the crisis.

Moreover, Industry 4.0 techniques help companies develop more flexible production processes, which has proved key during this year's crisis. Some manufacturers have been able to shift rapidly from producing vehicles to ventilators, from alcoholic drinks to hand sanitisers, from high-end lighting to protective equipment for health professionals. A team from the Massachusetts Institute of Technology open-sourced an innovative design for ventilators to enable manufacturers to simply reprogram their machine tools.

Robotics is also likely to see a boost to growth in the aftermath of the pandemic. Despite rapid development, robots remain largely absent from many factories. The International Federation of Robotics (IFR) estimates that there are only 99 robots in manufacturing for every 10,000 employees. As technology improves, robots are becoming more autonomous, freeing their operators for higher value-added tasks and greatly enhancing productivity. The IFR has previously estimated that annual sales of robots will increase 12% per year on average until 2022, a figure that is surely set to accelerate.

**Bottom line.** The growth potential of Industry 4.0 is enormous – Fortune Business Insights projects that the market will grow from $78.2bn in 2018 to $260.7bn by 2026, a 16.3% compound annual growth rate. Yet this growth will be dwarfed by the productivity enhancements that the technologies could unlock for business – McKinsey estimates that Industry 4.0 has value-creation potential for manufacturers and their suppliers of $3.7 trillion by 2025. Yet only 30% of companies derive significant benefits from these solutions today. We believe that the wake-up call served by the COVID-19 crisis will force increasing numbers of industrialists to bring the next industrial revolution to their factories.

**Industry 4.0 growth potential by 2026**




Sources: SGPB, Fortune Business Insights, data as of 26/06/2020

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# CURRENCIES

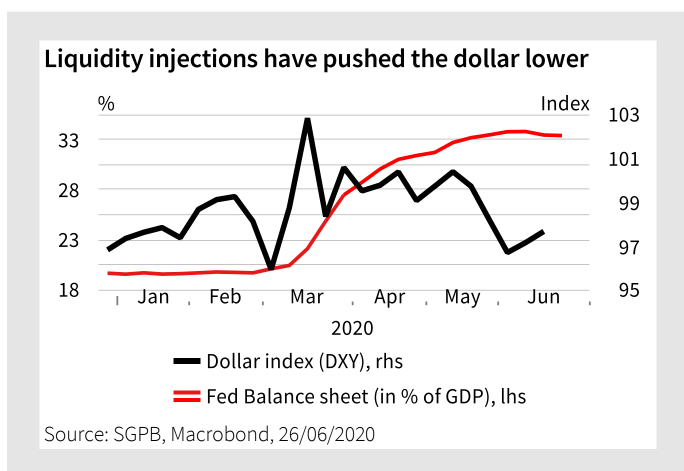
## Money supplied

The injection of money into the global economy through monetary and fiscal means has supported risk sentiment, weakening safe-haven flows towards the US dollar. However, recent forces – second-wave fears, weak economic data, civil unrest and brewing US/China trade woes – could buttress the greenback in the near term.

**Dollar Index.** Dollar positioning turned negative at the end of May, as equities steamed ahead and US Treasury yields dropped. Moreover, the Fed's easing measures are catching up with the dollar, which has now fully reversed the gains made in March. However, recent forces – second-wave fears, weak economic data, civil unrest and brewing US/China trade woes – could buttress the greenback in the near term. Thereafter, we expect abundant liquidity and gradual recovery from the recession to strengthen risk appetite again, which could push the Dollar Index (DXY) lower in coming months.

**EUR/USD.** The swift move higher has taken many by surprise with the single currency trading at 1.12, up almost 2% this quarter. The rally in equities, led by aggressive increases in the money supply by Central Banks has supported this move. The ECB announced an additional €600bn of new stimulus to fight the Coronavirus while the European Commission has proposed a €750bn recovery fund, further helping the single currency. Moreover, interest rate differentials between the two currencies have collapsed this year, removing one of the dollar's supports. According to multiple momentum measures, EUR/USD is overbought at current levels and may trade sideways in the short term. However, we expect euro strength to resume thereafter and suggest partial hedging of dollar exposure in portfolios.

**GBP/USD.** In recent weeks, the pound has traded between 1.21 and 1.27 – a relatively wide range – and currently stands at 1.24. The latest comments from BoE Governor Andrew Bailey warning banks to prepare for "no-deal" – i.e., a failure to reach agreement with the EU on the post-Brexit trade relationship – could present a challenge over coming weeks, especially as the deadline to agree an extension to the transition period will expire shortly. An important technical level to watch in the short term is 1.2730, and Sterling is likely to whipsaw on geopolitical news. That said, over a three-month period we would expect GBP/USD to be slightly higher than current spot levels.




Source: SGPB, Macrobond, 26/06/2020

**USD/JPY.** Since the end of May, safe-haven currencies like the Japanese Yen, the Swiss franc and the dollar have weakened with only the JPY underperforming the dollar among the Group of Ten currencies. However, we don't have a strong directional view on the JPY. If equities stumble as the economic realities sink in, the yen could come back into fashion. However, we expect abundant liquidity to continue to support risk appetite. Overall, trading is likely to remain predominantly in the 106-110 range.

**EUR/CHF.** As risk appetite recovered in late May and early June, the euro shot higher against the safe-haven Swiss franc. The recent bout of jitters on the pandemic and the economy has reversed part of those gains but EUR/CHF remains well above the 1.05 level which the Swiss National Bank appears to have been defending. As abundant liquidity is likely to encourage risk-takers back to markets, we would expect the euro to trade back towards 1.07/1.08 in coming months.

**EM currencies.** Oil has come charging back, which has seen the Mexican peso, South African rand and Russian rouble all benefit. More broadly, JP Morgan's EM currency index is up some 4.6% from April's all-time lows. However, emerging nations across Latin America, the Near East and the Indian sub-continent are the new epicentres of the pandemic, raising economic risks and putting downward pressure on currencies. Emerging Market currencies are not out of the woods yet.

**USD/CNY.** The People's Bank of China has allowed the renminbi to drift 2% higher against the dollar over the last month. The central bank fixes a daily pivot rate around which the currency floats within a +/- 2% band. Trade tensions with the US remain high – despite recent assurances from both that the "phase one" deal remains on track – and China's imposition of new national security legislation on Hong Kong has met a chilly reception. The run-up to November's presidential elections is likely to see both candidates take a hard line on China, a generally popular stance across parties. All in all, the renminbi is likely to stay week in coming months.

Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

# ALTERNATIVES

## Diversification benefits

Oil prices may retrace some of recent gains as demand remains rather sluggish. Gold continues to register new eight-year highs on robust demand from central banks and ETF investors. We propose to Overweight hedge funds, especially specialists in Merger and Fixed Income Arbitrage as well as emerging market Global Macro.

### Commodities

#### Oil

Oil prices have continued their recovery from the late-April crisis which saw US crude trade briefly in negative territory. With activity gradually resuming across many countries, oil demand has begun to recover. OPEC and its allies have committed to extend their 9.7 million barrels per day (mb/d) output cuts until end-July, after which they will gradually taper to 7.7mb/d by year-end. With US output down by 2.1mb/d since late February, oversupply is down from March and April levels.

The marked weakness in oil prices in recent quarters and the ongoing shift towards renewable energy sources have called into question the viability of long-term oil and gas reserves. For example, BP recently announced it had cut its estimate of average oil prices for the 2020 to 2050 period by 27%. The company now expects that some of its reserves will never be produced and plans to write off up to $17.5bn of oil and gas assets.

We expect that oil demand will remain rather sluggish and that excess stocks will only clear gradually, keeping us Underweight.

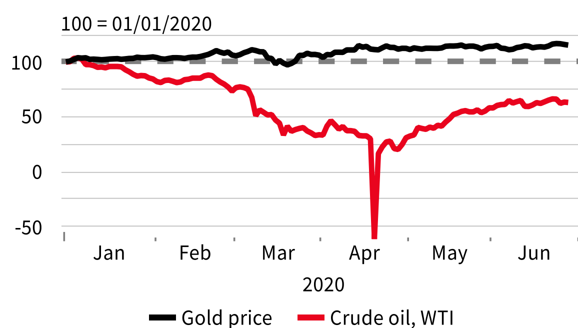
#### Gold

Gold prices have continued to gain ground, up almost 17% year-to-date to over $1,770 per ounce, helped by the collapse in inflation-adjusted government bond yields into negative territory. Gold's big disadvantage for investors – it offers no yield – has become irrelevant for now.

Market demand has remained strong so far this year, as investors fear that many currencies will be debased by COVID-19 monetary easing. Inflows into ETFs have triggered purchases of 623 tonnes (t) of gold so far this year, already exceeding the highest previous annual total of 591t in 2009. Given the rally in prices, assets in gold ETFs have almost doubled over the past 12 months. Central banks have added 211t in gold reserves so far this year and remain keen to buy more – according to a World Gold Council survey, 20% of central banks intend to add to their gold holdings this year, up from 8% in 2019.

Given these dynamics, gold continues to represent an attractive store of value and a useful source of diversification in portfolios. We remain Overweight.

**Gold continues to outperform**




Source: SGPB, Macrobond, 26/06/2020

### Hedge funds

#### Long/Short (L/S) Equity

The level of dispersion in individual stock returns has shot higher in recent months, perhaps creating a new opportunity for L/S investors who should thrive in such conditions. However, L/S Market Neutral funds have continued to disappoint given their reliance on certain performance factors – for example value, a focus on undervalued stocks – which continue to underperform.

#### Event Driven

The gradual reopening of economies should encourage companies to resume corporate restructuring such as spin-offs and mergers and acquisitions, which should provide ample opportunities for Event Driven managers. In Merger Arbitrage, the spread in stock prices between predator and prey remain elevated, offering attractive potential returns. We remain Overweight.

#### Fixed Income Arbitrage

With central banks keeping government bond yields at historically low levels, investors search for yield in other segments of fixed income markets is creating new opportunities in L/S Credit and Fixed Income Arbitrage. Moreover, managers' high-quality focus on risk control makes this strategy a useful adjunct to portfolios. We suggest moving Overweight.

#### Global Macro / CTAs

We remain Neutral on trend-followers (known as CTAs). After the sharp moves in markets over recent moves, we expect some rangebound trading which is often challenging for CTAs. We have a preference for Global Macro specialists in emerging markets. Markets have sold off as the pandemic has spread to Eastern Europe and Latin America, creating new opportunities given the yields available.

Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

# TACTICAL AND STRATEGIC THEMES

## Strategies still open

| Launched | Conviction | Strategy description | Time horizon |
|---|---|---|---|
| **27/11/14** | Blue gold (Water) | Many regions of the world face large water supply disruptions. Water remains underpriced. | Strategic |
| **15/06/16** | How demographic changes shape future spending | Population growth and ageing generate investment opportunities in several sectors. | Strategic |
| **06/07/17** | Millennials: Redefining the rules | Companies able to anticipate and/or adapt quickly to new consumer trends will be the main beneficiaries of millennials' growing spending power. | Strategic |
| **06/10/17** | Convertible Bonds – Yin and Yang | CB combine the attributes of different asset classes in one security. As long as their credit quality is not impaired, they can offer unlimited upside with downside protection. | Strategic |
| **08/12/17** | Insurance-Linked Securities – Marching to a Different Drum | ILS represent a source of uncorrelated returns for bond portfolios. The recent drawdowns linked to US hurricanes create a new opportunity in this segment. | Strategic |
| **29/03/18** | Artificial Intelligence: from fiction to reality | Global spending on artificial intelligence is expected to rise from $12bn in 2017 to $57.6bn in 2021. As investment increases, AI should bring transformation to nearly every sector. | Strategic |
| **07/12/18** | Cybercrime – the omnipresent risk | As internet connectivity in the global economy has become indispensable, the scale of cyber risks means sustained investment in cybersecurity. | Strategic |
| **20/03/19** | Bridging the gender gap | Gender equality represents a strategic advantage from which businesses can draw lasting benefits. Investing in such companies should allow investors to reap those rewards. | Strategic |
| **21/06/19** | 5G Technology: a breakthrough for telcos | The 5G revolution could create attractive investment opportunities for network suppliers and businesses able to leverage the capabilities offered by the new network. | Strategic |
| **21/06/19** | Africa's business revolution | Africa is the new frontier in terms of growth and investment. Rapid expansion across the continent is creating attractive opportunities for risk-taking entrepreneurs and investors. | Strategic |
| **21/06/19** | Climate change – stepping-up decarbonisation | The global transition to a low-carbon economy offers investment opportunities in a wide range of sectors. | Strategic |
| **21/06/19** | Green (Bond) shoots | With improving liquidity, green bonds are a promising asset class offering both positive impact and long-term sustainability. | Strategic |
| **18/09/2019** | Food for Thought – Sustaining the World | The challenge of feeding the world creates investment opportunities in companies making food production healthier and more sustainable. | Strategic |
| **29/11/2019** | The Final Frontier – Space investment lifts off | Rapid technological progress in satellites and rockets and the proliferation of start-up entrants are opening up an investment frontier. | Strategic |
| **29/11/2019** | The HealthTech Revolution – Investing for a healthier future | Rising costs and growing needs will force disruption of healthcare by technology insurgents. | Strategic |
| **30/03/2020** | ESG – Sustainability for the Long Term | We believe that high sustainability and ESG standards will prove a key competitive advantage for long-term success | Strategic |
| **26/06/2020** | Waste not, want not | Reducing, reusing and recycling waste products will ensure growing demand for waste management specialists | Strategic |
| **26/06/2020** | Reinventing the factory | The wake-up call served by COVID-19 will force increasing numbers of industrialists to embrace the Industry 4.0 revolution | Strategic |

Sources: Societe Generale Private Banking, Datastream. Data as at 26/06/2020 * Strategic: 1-3 years. Tactical: 3-12 months

Denotes a change from our previous Quarterly

## Strategies closed

| Launched | Conviction | Closing rationale | Type |
|---|---|---|---|
| **07/12/2018** | The return of the "national champion" | We suggest taking profits in order to focus on changes to corporate strategy as companies move towards Industry 4.0 innovations. | Strategic |
| **30/03/2020** | Dividend futures – Harvesting independent returns | The sharp rally since this theme was launched has yielded handsome profits in dividend futures | Tactical |

Sources: Societe Generale Private Banking, Datastream. Data as at 26/06/2020

# GLOBAL ECONOMIC FORECASTS

## Growth and inflation

| YoY changes in % | Real gross domestic product growth | | | | | Consumer price indices | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019f | 2020f | 2021f | 2017 | 2018 | 2019f | 2020f | 2021f |
| **World (Mkt FX weights)** | 3,4 | 3,2 | 2,6 | -3,7 | 4,8 | 2,6 | 3,0 | 2,8 | 1,9 | 2,0 |
| **World (PPP** weights)** | 3,9 | 3,6 | 3,0 | -3,1 | 5,3 | 3,2 | 3,8 | 3,7 | 2,9 | 2,9 |
| **Developed countries (PPP)** | 2,5 | 2,2 | 1,7 | -5,3 | 3,8 | 1,7 | 1,9 | 1,4 | 0,5 | 0,9 |
| **Emerging countries (PPP)** | 4,9 | 4,6 | 3,9 | -1,7 | 6,2 | 4,3 | 5,0 | 5,2 | 4,4 | 4,1 |
| **Developed countries** | | | | | | | | | | |
| **US** | 2,4 | 2,9 | 2,3 | -4,9 | 2,5 | 2,1 | 2,4 | 1,8 | 0,6 | 0,7 |
| **Eurozone** | 2,6 | 1,9 | 1,2 | -6,3 | 5,2 | 1,5 | 1,8 | 1,2 | 0,5 | 1,2 |
| Germany | 2,5 | 1,5 | 0,6 | -5,4 | 3,7 | 1,7 | 1,9 | 1,3 | 0,8 | 1,3 |
| France | 2,4 | 1,8 | 1,5 | -6,5 | 6,8 | 1,2 | 2,1 | 1,3 | 0,6 | 1,0 |
| Italy | 1,8 | 0,7 | 0,3 | -8,6 | 5,7 | 1,4 | 1,2 | 0,7 | 0,3 | 1,2 |
| Spain | 3,0 | 2,4 | 2,0 | -8,1 | 6,4 | 2,0 | 1,7 | 0,8 | 0,0 | 1,4 |
| **UK** | 1,8 | 1,3 | 1,4 | -9,2 | 7,7 | 2,7 | 2,5 | 1,8 | 0,9 | 1,0 |
| **Japan** | 1,9 | 0,3 | 0,7 | -3,1 | 3,3 | 0,5 | 1,0 | 0,5 | 0,0 | 0,7 |
| **Switzerland** | 1,7 | 2,7 | 0,9 | -5,5 | 1,6 | 0,5 | 0,9 | 0,4 | -0,8 | -0,7 |
| **Australia** | 2,4 | 2,7 | 1,8 | -3,0 | 4,0 | 2,0 | 1,9 | 1,6 | 0,4 | 1,7 |
| **Emerging countries** | | | | | | | | | | |
| **China** | 6,9 | 6,7 | 6,1 | 2,6 | 7,8 | 1,5 | 2,1 | 2,9 | 2,6 | 1,9 |
| **South Korea** | 3,2 | 2,7 | 2,0 | -0,5 | 2,8 | 1,9 | 1,5 | 0,4 | 0,7 | 1,2 |
| **Taiwan** | 3,1 | 2,7 | 2,7 | 0,5 | 3,4 | 0,4 | 1,0 | 0,8 | -0,5 | 0,5 |
| **India*** ** | 6,8 | 6,6 | 4,9 | -4,8 | 7,9 | 3,3 | 4,0 | 3,4 | 4,4 | 4,0 |
| **Indonesia** | 5,1 | 5,2 | 5,0 | -0,3 | 7,0 | 3,8 | 3,2 | 3,0 | 2,9 | 3,0 |
| **Brazil** | 1,1 | 1,3 | 1,1 | -7,0 | 4,5 | 3,4 | 3,7 | 3,7 | 2,6 | 2,8 |
| **Mexico** | 2,4 | 2,2 | -0,3 | -6,1 | 3,2 | 6,0 | 4,9 | 3,6 | 2,8 | 2,5 |
| **Chile** | 1,3 | 3,9 | 1,1 | -4,4 | 3,8 | 2,2 | 2,7 | 2,3 | 2,9 | 2,1 |
| **Russia** | 1,6 | 2,5 | 1,3 | -4,8 | 2,7 | 3,5 | 3,1 | 4,2 | 3,6 | 4,0 |
| **Slovakia** | 3,2 | 3,9 | 2,4 | -10,0 | 7,7 | 1,4 | 2,5 | 2,8 | 1,5 | 1,3 |
| **Czech Republic** | 4,5 | 2,8 | 2,5 | -6,8 | 7,1 | 2,5 | 2,1 | 2,8 | 2,4 | 1,3 |

Sources: SG Cross Asset Research / Economics, IMF, 26 June 2020
* (f: forecast)
** PPP: Purchasing Power Parity
*** In India, the numbers are averaged over the Fiscal Year, ending in March.

**Forecast figures are not a reliable indicator of future performance.**

# MARKET PERFORMANCE

| Developed market equities | | Performance – total return (in local currency) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current level | 1m | 3m | YTD | 12m | 2Y | 3Y | 4Y | 5Y |
| **S&P500** | 3084 | 4,5% | 25,2% | -3,6% | 7,8% | 18,1% | 34,2% | 64,0% | 62,5% |
| **DJ Euro Stoxx 50** | 3219 | 8,7% | 16,7% | -12,5% | -4,2% | 1,5% | 0,0% | 32,0% | 5,5% |
| **FTSE100** | 6147 | 2,7% | 8,6% | -17,2% | -14,0% | -11,2% | -6,6% | 17,5% | 10,2% |
| **Topix** | 1562 | 4,0% | 11,0% | -8,1% | 3,8% | -5,1% | 4,0% | 42,2% | 4,6% |
| **MSCI AC World ($)** | 524 | 6,1% | 23,4% | -6,2% | 3,1% | 9,1% | 20,7% | 48,9% | 36,7% |

| Developed market bonds | | Performance - total return (in local currency) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yield to maturity | 1m | 3m | YTD | 12m | 2Y | 3Y | 4Y | 5Y |
| **BAML Corp Euro IG** | 0,90% | 2,1% | 6,3% | -1,2% | -0,4% | 4,1% | 4,8% | 7,4% | 12,4% |
| **BAML Corp Euro HY** | 4,72% | 4,6% | 14,5% | -5,0% | -1,5% | 3,0% | 4,4% | 15,3% | 16,5% |
| **BAML Corp US IG** | 2,28% | 2,5% | 13,3% | 4,6% | 9,4% | 20,9% | 19,0% | 23,5% | 31,9% |
| **BAML Corp US HY** | 6,89% | 3,5% | 17,4% | -4,1% | -0,3% | 6,7% | 10,1% | 24,8% | 25,2% |
| **BAML Corp UK IG** | 1,99% | 2,7% | 11,7% | 3,7% | 7,1% | 14,6% | 13,6% | 25,8% | 35,2% |
| **FTSE US Sovereign 3-7y** | | 0,1% | 1,4% | 6,8% | 8,0% | 15,9% | 13,9% | 13,1% | 18,7% |
| **FTSE Germany Sovereign 3-7y** | | 0,1% | 0,9% | 0,7% | -0,5% | 1,2% | 1,4% | 0,6% | 4,0% |
| **FTSE UK Sovereign 3-7y** | | 0,0% | 1,0% | 3,0% | 3,0% | 6,2% | 5,1% | 6,4% | 12,8% |
| **FTSE Japan Sovereign 3-7y** | | -0,1% | 0,0% | -0,1% | -0,8% | -0,3% | -0,2% | -1,3% | 0,7% |

| Emerging market equities | | Performance – total return (in USD) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current level | 1m | 3m | YTD | 12m | 2Y | 3Y | 4Y | 5Y |
| **MSCI EM** | 1004 | 10,6% | 21,0% | -8,9% | -1,2% | -0,7% | 8,0% | 39,1% | 16,6% |
| **MSCI EM Asia** | 545 | 11,4% | 21,0% | -2,9% | 7,0% | 3,0% | 14,4% | 52,5% | 27,3% |
| **MSCI EMEA** | 210 | 5,8% | 21,7% | -20,2% | -17,4% | -10,2% | -7,0% | 8,2% | -9,6% |
| **MSCI Latam** | 1925 | 11,0% | 20,5% | -33,1% | -30,0% | -15,5% | -14,9% | 2,1% | -11,4% |

| Emerging market bonds | | Performance – total return (in USD) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yield to maturity | 1m | 3m | YTD | 12m | 2Y | 3Y | 4Y | 5Y |
| **BAML EM Sovereign** | 5,38% | 4,2% | 12,4% | -4,5% | -2,2% | 8,4% | 6,2% | 14,5% | 22,8% |
| Asia | 3,82% | 3,2% | 10,6% | -0,4% | 3,6% | 17,6% | 15,8% | 23,8% | 33,4% |
| EMEA | 5,07% | 4,5% | 13,3% | -3,7% | 0,3% | 11,1% | 9,4% | 17,5% | 24,6% |
| Latam | 6,65% | 4,2% | 12,2% | -7,7% | -8,2% | 0,7% | -2,0% | 6,6% | 15,6% |
| **BAML EM Corp** | 4,48% | 3,0% | 11,6% | 0,2% | 4,2% | 15,1% | 14,9% | 19,1% | 26,2% |
| Asia | 3,77% | 2,2% | 8,9% | 2,7% | 5,7% | 13,7% | 14,1% | 20,3% | 29,3% |
| EMEA | 4,22% | 3,2% | 12,2% | 0,2% | 5,4% | 10,2% | 10,8% | 24,5% | 24,7% |
| Latam | 6,17% | 4,6% | 17,1% | -4,3% | 0,3% | 13,9% | 13,9% | 18,7% | 23,5% |

Source: Societe Generale Private Banking, Bloomberg, Datastream (data as of 26/06/2020), YTD = year-to-date

BAML: Bank of America Merrill Lynch
Corp: Corporate
EM: Emerging Market
EMEA: Europe, Middle East, Africa
IG: Investment Grade
HY: High Yield
LatAm: Latin America
Gvt: Government

# MARKET PERFORMANCE AND FORECASTS

| | | Forecasts | | Performance | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Currencies** | **Current** | **3 months** | **12 months** | **YTD** | **12m** | **2Y** | **3Y** | **4Y** | **5Y** |
| **EUR/USD** | 1,12 | 1.13 | 1.18 | 0,1% | -1,3% | -4,2% | 0,2% | 0,9% | 0,1% |
| **USD/JPY** | 107 | 108 | 110 | -1,3% | 0,0% | -2,3% | -3,7% | 4,9% | -13,3% |
| **EUR/CHF** | 1,06 | 1.08 | 1.11 | -2,0% | -4,0% | -7,9% | -2,0% | -1,7% | 1,4% |
| **GBP/USD** | 1,24 | 1.26 | 1.30 | -6,4% | -2,2% | -6,5% | -2,4% | -9,2% | -21,1% |
| **EUR/GBP** | 0,90 | 0.91 | 0.91 | 6,9% | 0,9% | 2,5% | 2,6% | 11,2% | 27,0% |

| | | Forecasts | | Performance (in local currency) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **10-year yields** | **Current** | **3 months** | **12 months** | **YTD (bps)** | **12m** | **2Y** | **3Y** | **4Y** | **5Y** |
| **USA** | 0,7% | 0,7% | 1,1% | -124 | -132 | -220 | -147 | -91 | -174 |
| **GER** | -0,5% | -0.5% | -0,1% | -28 | -14 | -79 | -73 | -42 | -133 |
| **UK** | 0,2% | 0.2% | 0.6% | -67 | -64 | -114 | -88 | -93 | -199 |

| | | Forecasts | | Performance (in USD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Commodities** | **Current** | **3 months** | **12 months** | **YTD** | **12m** | **2Y** | **3Y** | **4Y** | **5Y** |
| **Gold in USD** | 1760 | 1800 | 1875 | 15,8% | 22,9% | 39,0% | 40,1% | 34,0% | 50,0% |
| **Oil (Brent) in USD** | 41,2 | 40.0 | 50.0 | -37,9% | -37,2% | -44,7% | -9,8% | -15,6% | -32,8% |

| | | Forecasts | | Performance (Total return in local currency) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Equities** | **Current** | **3 months** | **12 months** | **YTD** | **12m** | **2Y** | **3Y** | **4Y** | **5Y** |
| **S&P 500** | 3084 | 3150 | 3350 | -3,6% | 7,8% | 18,1% | 34,2% | 64,0% | 62,5% |
| **Euro Stoxx 50** | 3219 | 3350 | 3550 | -12,5% | -4,2% | 1,5% | 0,0% | 32,0% | 5,5% |
| **FTSE 100** | 6147 | 6300 | 6650 | -17,2% | -14,0% | -11,2% | -6,6% | 17,5% | 10,2% |
| **Topix** | 1562 | 1610 | 1700 | -8,1% | 3,8% | -5,1% | 4,0% | 42,2% | 4,6% |

Source: Societe Generale Private Banking, Bloomberg, Datastream (data as of 26/06/2020), bps = basis points

BAML: Bank of America Merrill Lynch
Corp: Corporate
EM: Emerging Market
EMEA: Europe, Middle East, Africa
IG: Investment Grade
HY: High Yield
LatAm: Latin America

**Forecast figures are not a reliable indicator of future performance.**

# IMPORTANT INFORMATION – PLEASE READ

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This document has been prepared by experts of the Societe Generale Group, and more particularly of Societe Generale Private Banking division, to provide you with information relating to certain financial and economic data. The names and functions of the people who prepared this document are indicated on the first pages of the document.

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